

August 14, 1998

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, DC 20436

MEMORANDUM TO THE COMMITTEE ON FINANCE OF THE UNITED STATES  
SENATE ON PROPOSED TARIFF LEGISLATION<sup>1</sup>

Bill no., sponsor, and sponsor's state: S. 1859 (105th Congress), Senator William V. Roth (R-DE)

Companion bill: H.R. 3602 (105th Congress), Representative John A. Boehner (R-OH)

Title as introduced: A bill to correct the tariff classification of 13" televisions.

Summary of bill:<sup>2</sup>

This bill seeks to correct certain technical errors in the *HTS* by replacing the expression "33.02 cm" (equal to 13 inches) as it appears in subheadings of the *HTS* covering television receivers, video monitors, video projectors, and color cathode-ray tubes for televisions or video monitors (color picture tubes) with "34.29 cm" (equal to 13.5 inches).

Effective date: 15th day after enactment

Retroactive effect: This bill would apply to entries of goods initially classified as having a screen size exceeding 33.02 cm but not exceeding 34.29 cm, which entries were made on or after January 1, 1995, and before the date that is 15 days after the date of enactment.

Statement of purpose:

Senator Roth stated in the *Congressional Record*:

During the Uruguay Round negotiations, the United States agreed to phase down U.S. tariffs on "13-inch" television receivers, monitors, and picture tubes, and on combination TV/VCRs, over the period from 1995 to 1999. The tariff on receivers and monitors was to be reduced from 5 percent to zero, on picture tubes from 15 percent to 7.5 percent, and on combination TV/VCRs from 3.9 percent to zero. The "13-inch" designation historically has included television products whose picture tubes are approximately, but not exactly, 13 inches by diagonal measurement. The 1997 *HTS*, however, converted the diagonal picture tube measurement into 33.02 centimeters or exactly 13 inches. With the implementation of the 1997 *HTS*, the

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<sup>1</sup> Industry analyst: John Kitzmiller (205-3387); attorney: Leo Webb (205-2599).

<sup>2</sup> See appendix A for definitions of tariff and trade agreement terms.

former “13-inch” televisions have been classified as larger than 13-inches and assessed a higher rate of duty.

I am proposing this technical correction to amend the *HTS* to allow television receivers, monitors, and picture tubes, and combination TV/VCRs with a diagonal measurement of up to “34.29 centimeters” (or 13.5 inches) to be classified as “13-inches”. This action is consistent with our Uruguay Round commitments.<sup>3</sup>

Product description and uses:

- |                             |  |
|-----------------------------|--|
| Color television receivers: | Color television receivers (CTVs) contain television tuners and are used to display broadcast television signals and for playback of prerecorded video from a videocassette recorder/player or videodisc player. |
| Color video monitors:       | Monitors are used to display video information other than television signals, and do not contain television tuners.  |
| Video projectors:           | Video projectors are used to project video information onto a screen, and do not contain television tuners.  |
| Color picture tubes:        | Color picture tubes are cathode-ray tubes in which a video image is developed within a television receiver or video monitor.   |

Background

When the television and picture tube industries refer to a 13-inch television or picture tube, they are referring to products for which the *viewable* display dimension is 13 inches, but the actual physical dimension of the picture tube exceeds 13 inches.<sup>4</sup> The industry standard was, and is, necessary in order to comply with the “rounding down regulations” of the Federal Trade Commission (see 16 C.F.R. Section 410.1 (1998)). Those regulations provide that a television with a video display diagonal measuring more than a particular number of whole inches, but less than the next highest number of whole inches, can be advertised in the United States as having a screen of the lower, but not the higher, number of whole inches.

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<sup>3</sup> *Congressional Record*, Mar. 25, 1998, p. S-2573.

<sup>4</sup> The industry definition of “13 inch” formerly was reflected in subheading 8528.10.6020 of the 1994 *HTS*, which provided for televisions with a video display diagonal exceeding 33 cm (12.99 inches) but not exceeding 35 cm (13.78 inches).

Tariff treatment:<sup>5</sup>

Under the provisions of this bill, those products now classified in the subheadings listed in the first column with a video display diagonal greater than 33.02 cm but not greater than 34.29 cm would be combined with the products now classified in the subheadings listed in the second column, as follows:

<u>Certain goods from</u> <u>HTS subheading</u>	<u>Col. 1-general</u> <u>rate of duty</u>	<u>would be moved into</u> <u>HTS subheading</u>	<u>Col. 1-general</u> <u>rate of duty</u>
8528.12.16 (pt.)	3.9%	8528.12.12	0.8%
8528.12.24 (pt.)	5%	8528.12.20	1%
8528.12.64 (pt.)	3.9%	8528.12.62	0.8%
8528.12.72 (pt.)	5%	8528.12.68	1%
8528.12.80 (pt.)	3.9%	8528.12.76	0.8%
8528.12.96 (pt.)	5%	8528.12.84	1%
8528.21.19 (pt.)	3.9%	8528.21.16	0.8%
8528.21.29 (pt.)	5%	8528.21.24	1%
8528.21.60 (pt.)	3.9%	8528.21.55	0.8%
8528.21.70 (pt.)	5%	8528.21.65	1%
8528.21.80 (pt.)	3.9%	8528.21.75	0.8%
8528.21.90 (pt.)	5%	8528.21.85	1%
8528.30.64 (pt.)	3.9%	8528.30.62	0.8%
8528.30.68 (pt.)	5%	8528.30.66	1%
8540.11.28 (pt.)	15%	8540.11.24	9%
8540.11.48 (pt.)	15%	8540.11.44	9%

Structure of domestic industry (including competing products):

There are no U.S. producers of CTVs or color picture tubes with screen sizes of not more than 13 inches in viewable diagonal measurement. There are U.S. producers of monitors with screen sizes of more than 13 inches in viewable diagonal measurement, and there are U.S. producers of CTVs and CRTs with screen sizes of 19 inches and larger in viewable diagonal measurement.

Private-sector views:

The Commission contacted two trade associations representing manufacturers and importers of the subject products and five major importers of television receivers, video monitors, and picture tubes. Both associations and three importers expressed strong support for the legislation. The Commission had not received any reported opposition to the bill as of the date of preparation of this report.<sup>6</sup>

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<sup>5</sup> See appendix B for column 1-special and column 2 duty rates.

<sup>6</sup> The Commission made telephone contacts with the Consumer Electronics Manufacturers Association, the International Electronics Manufacturers and Consumers of America, Philips Communications and Security Systems, Matsushita Electric Corp., Sharp Electronics, Cristel, and Thomson Consumer Electronics. Comments received in connection with this bill are included in appendix C.

U.S. consumption<sup>7</sup>:

Color television receivers and video monitors with a video display diagonal exceeding 33.02 cm but not exceeding 35.56 cm:

	<u>1995</u>	<u>1996</u>	<u>1997</u>
	-----(\$1,000)-----		
U.S. production.....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
U.S. imports.....	( <sup>1</sup> )	51,314	538,539
U.S. exports.....	0	0	0
Apparent U.S. consumption.....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )

<sup>1</sup>Not available.

Principal import sources: Thailand, Malaysia, Mexico

Principal export markets: None.

Color video projectors, with a video display diagonal exceeding 33.02 cm:

	<u>1995</u>	<u>1996</u>	<u>1997</u>
	-----(\$1,000)-----		
U.S. production.....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
U.S. imports.....	0	31,133	22,515
U.S. exports.....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Apparent U.S. consumption.....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )

<sup>1</sup>Not available.

Principal import sources: Japan.

Principal export markets: Not available.

Color television picture tubes with a video display diagonal exceeding 33.02 cm:

	<u>1995</u>	<u>1996</u>	<u>1997</u>
	-----(\$1,000)-----		
U.S. production.....	0	0	0
U.S. imports.....	483	5,351	10,143
U.S. exports.....	0	0	0
Apparent U.S. consumption.....	483	5,351	10,143

Principal import sources: Malaysia, Japan, Mexico.

Principal export markets: None.

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<sup>7</sup> There are no published consumption statistics covering the goods which are the subject of this legislation. For comparison, this report includes imports for all goods in the above categories.

Effect on customs revenue:

The Commission does not have data reflecting trade in the goods which are the subject of this bill. However, for comparison, the figures below have been compiled based on trade in the next larger screen size *HTS* categories. Note that the estimated revenue losses are overstated to the extent that goods larger than 34.29 cm are included and is a “worst case” scenario.

Future (1998-2000) effect:<sup>8</sup>

	<u>1998</u>	<u>1999</u>	<u>2000</u>
	-----(\$1,000)-----		
Color television receivers and color video monitors.....	19,500	30,000	45,000
Video projectors.....	2,300	4,200	6,400
<u>Color picture tubes.....</u>	<u>700</u>	<u>1,100</u>	<u>1,300</u>
Total estimated revenue loss.....	22,500	35,300	53,200

Retroactive (1995-1997) effect:

	<u>1995</u>	<u>1996</u>	<u>1997</u>
	-----(\$1,000)-----		
Color television receivers and color video monitors.....	260	1,707	10,426
Video projectors.....	0	620	674
<u>Color picture tubes.....</u>	<u>7</u>	<u>161</u>	<u>456</u>
Total estimated revenue loss.....	267	2,488	11,556

The Commission has been advised that the Customs Service has examined this question and estimates that the customs revenue loss for the year of enactment (i.e., 1998) would be \$10 million (including the retroactive portion of this legislation), and the loss for the future years would be \$2.5 million per year.<sup>9</sup>

Technical comments:

The title of the bill indicates that it only covers television receivers; however the products covered by the *HTS* numbers referenced in this bill include video monitors, video projectors, and cathode-ray picture tubes as well as television receivers.

Consideration of international obligations:

Prior to enactment of the GATT Uruguay Round implementing legislation, the Customs Service treated televisions whose video display diagonal was fractionally larger than 13 inches as 13-inch televisions. During the GATT Uruguay Round, the United States agreed to phase down duties on 13-

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<sup>8</sup> These figures represent the maximum revenue loss if all imports in these categories are reclassified in the new categories.

<sup>9</sup> Congressional Budget Office staff, telephone interview by USITC staff, July 28, 1998.

inch television receivers<sup>10</sup> and picture tubes. By 1999, duties on 13-inch picture tubes were to be reduced from 15 to 7.5 percent, and on all other 13-inch television products from between 3.9 and 5 percent to zero percent. However, when the staged tariff rate reduction agreement for 13-inch television products was proclaimed, the industry definition of “13 inches”<sup>11</sup> was not used. Instead, the GATT Uruguay Round proclamation converted “13 inches” to 33.02 cm exactly, and Customs began to impose pre-Uruguay Round duties on the “13-inch” television products whose diagonal measurement exceeded 33.02 cm. The use of 33.02 cm rather than 34.29 cm appears to be contrary to the intent of the United States as reflected in its Uruguay Round tariff offer.

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<sup>10</sup> Video monitors and video projectors were given separate categories in 1997.

<sup>11</sup> As noted above, this definition is based upon regulations of the Federal Trade Commission.

## APPENDIX A

### TARIFF AND TRADE AGREEMENT TERMS

In the **Harmonized Tariff Schedule of the United States** (HTS), chapters 1 through 97 cover all goods in trade and incorporate in the tariff nomenclature the internationally adopted Harmonized Commodity Description and Coding System through the 6-digit level of product description. Subordinate 8-digit product subdivisions, either enacted by Congress or proclaimed by the President, allow more narrowly applicable duty rates; 10-digit administrative statistical reporting numbers provide data of national interest. Chapters 98 and 99 contain special U.S. classifications and temporary rate provisions, respectively. The HTS replaced the **Tariff Schedules of the United States** (TSUS) effective January 1, 1989.

Duty rates in the **general** subcolumn of HTS column 1 are most-favored-nation (MFN) rates, many of which have been eliminated or are being reduced as concessions resulting from the Uruguay Round of Multilateral Trade Negotiations. Column 1-general duty rates apply to all countries except those enumerated in HTS general note 3(b) (Afghanistan, Cuba, Laos, North Korea, and Vietnam), which are subject to the statutory rates set forth in **column 2**. Specified goods from designated MFN-eligible countries may be eligible for reduced rates of duty or for duty-free entry under one or more preferential tariff programs. Such tariff treatment is set forth in the **special** subcolumn of HTS rate of duty column 1 or in the general notes. If eligibility for special tariff rates is not claimed or established, goods are dutiable at column 1-general rates. The HTS does not enumerate those countries as to which a total or partial embargo has been declared.

The **Generalized System of Preferences** (GSP) affords nonreciprocal tariff preferences to developing countries to aid their economic development and to diversify and expand their production and exports. The U.S. GSP, enacted in title V of the Trade Act of 1974 for 10 years and extended several times thereafter, applies to merchandise imported on or after January 1, 1976 and before the close of June 30, 1998. Indicated by the symbol "A", "A\*", or "A+" in the special subcolumn, the GSP provides duty-free entry to eligible articles the product of and imported directly from designated beneficiary developing countries, as set forth in general note 4 to the HTS.

The **Caribbean Basin Economic Recovery Act** (CBERA) affords nonreciprocal tariff preferences to developing countries in the Caribbean Basin area to aid their economic development and to diversify and expand their production and exports. The CBERA, enacted in title II of Public Law 98-67, implemented by Presidential Proclamation 5133 of November 30, 1983, and amended by the Customs and Trade Act of 1990, applies to merchandise entered, or withdrawn from warehouse for consumption, on or after January 1, 1984. Indicated by the symbol "E" or "E\*" in the special subcolumn, the CBERA provides duty-free entry to eligible articles, and reduced-duty treatment to certain other articles, which are the product of and imported directly from designated countries, as set forth in general note 7 to the HTS.

Free rates of duty in the special subcolumn followed by the symbol "IL" are applicable to products of Israel under the **United States-Israel Free Trade Area Implementation Act** of 1985 (IFTA), as provided in general note 8 to the HTS.

Preferential nonreciprocal duty-free or reduced-duty treatment in the special subcolumn followed by the symbol "J" or "J\*" in parentheses is afforded to eligible articles the product of designated beneficiary countries under the **Andean Trade Preference Act** (ATPA), enacted as title II of Public Law 102-182 and implemented by Presidential Proclamation 6455 of July 2, 1992 (effective July 22, 1992), as set forth in general note 11 to the HTS.

Preferential or free rates of duty in the special subcolumn followed by the symbol "CA" are applicable to eligible goods of Canada, and rates followed by the symbol "MX" are applicable to eligible goods of Mexico, under the **North American Free Trade Agreement**, as provided in general note 12 to the HTS and implemented effective January 1, 1994 by Presidential Proclamation 6641 of December 15, 1993. Goods must originate in the NAFTA region under rules set forth in general note 12(t) and meet other requirements of the note and applicable regulations.

Other special tariff treatment applies to particular **products of insular possessions** (general note 3(a)(iv)), **products of the West Bank and Gaza Strip** (general note 3(a)(v)), goods covered by the **Automotive Products Trade Act** (APTA) (general note 5) and the **Agreement on Trade in Civil Aircraft** (ATCA) (general note 6), **articles imported from freely associated states** (general note 10), **pharmaceutical products** (general note 13), and **intermediate chemicals for dyes** (general note 14).

The **General Agreement on Tariffs and Trade 1994** (GATT 1994), pursuant to the Agreement Establishing the World Trade Organization, is based upon the earlier GATT 1947 (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786) as the primary multilateral system of disciplines and principles governing international trade. Signatories' obligations under both the 1994 and 1947 agreements focus upon most-favored-nation treatment, the maintenance of scheduled concession rates of duty, and national treatment for imported products; the GATT also provides the legal framework for customs valuation standards, "escape clause" (emergency) actions, antidumping and countervailing duties, dispute settlement, and other measures. The results of the Uruguay Round of multilateral tariff negotiations are set forth by way of separate schedules of concessions for each participating contracting party, with the U.S. schedule designated as Schedule XX.

Pursuant to the **Agreement on Textiles and Clothing** (ATC) of the GATT 1994, member countries are phasing out restrictions on imports under the prior "Arrangement Regarding International Trade in Textiles" (known as the **Multifiber Arrangement** (MFA)). Under the MFA, which was a departure from GATT 1947 provisions, importing and exporting countries negotiated bilateral agreements limiting textile and apparel shipments, and importing countries could take unilateral action in the absence or violation of an agreement. Quantitative limits had been established on imported textiles and apparel of cotton, other vegetable fibers, wool, man-made fibers or silk blends in an effort to prevent or limit market disruption in the importing countries. The ATC establishes notification and safeguard procedures, along with other rules concerning the customs treatment of textile and apparel shipments, and calls for the eventual complete integration of this sector into the GATT 1994 over a ten-year period, or by Jan. 1, 2005.

Rev. 8/12/97

**APPENDIX B**

**SELECTED PORTIONS OF THE  
HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES**

(Appendix not included in the electronic version of this report.)

**APPENDIX C**

**OTHER ATTACHMENTS**

(Appendix not included in the electronic version of this report.)

105TH CONGRESS  
2D SESSION

# S. 1859

To correct the tariff classification of 13” televisions.

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IN THE SENATE OF THE UNITED STATES

MARCH 25, 1998

Mr. ROTH (for himself and Mr. LUGAR) introduced the following bill; which  
was read twice and referred to the Committee on Finance

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## A BILL

To correct the tariff classification of 13” televisions.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TARIFF CLASSIFICATION OF 13 INCH TELE-**  
4 **VISIONS.**

5 (a) IN GENERAL.—Each of the following subheadings  
6 of the Harmonized Tariff Schedule of the United States  
7 is amended by striking “33.02 cm” in the article descrip-  
8 tion and inserting “34.29 cm”:

9 (1) Subheading 8528.12.12.

10 (2) Subheading 8528.12.20.

11 (3) Subheading 8528.12.62.

12 (4) Subheading 8528.12.68.

1 (5) Subheading 8528.12.76.

2 (6) Subheading 8528.12.84.

3 (7) Subheading 8528.21.16.

4 (8) Subheading 8528.21.24.

5 (9) Subheading 8528.21.55.

6 (10) Subheading 8528.21.65.

7 (11) Subheading 8528.21.75.

8 (12) Subheading 8528.21.85.

9 (13) Subheading 8528.30.62.

10 (14) Subheading 8528.30.66.

11 (15) Subheading 8540.11.24.

12 (16) Subheading 8540.11.44.

13 (b) EFFECTIVE DATE.—

14 (1) IN GENERAL.—The amendments made by  
 15 this Act apply to articles entered, or withdrawn from  
 16 warehouse for consumption, on or after the date that  
 17 is 15 days after the date of enactment of this Act.

18 (2) RETROACTIVE APPLICATION.—Notwith-  
 19 standing section 514 of the Tariff Act of 1930 or  
 20 any other provision of law, upon proper request filed  
 21 with the Customs Service not later than 180 days  
 22 after the date of enactment of this Act, any entry,  
 23 or withdrawal from warehouse for consumption, of  
 24 an article described in a subheading listed in para-  
 25 graphs (1) through (16) of subsection (a)—

1 (A) that was made on or after January 1,  
2 1995, and before the date that is 15 days after  
3 the date of enactment of this Act,

4 (B) with respect to which there would have  
5 been no duty or a lesser duty if the amend-  
6 ments made by subsection (a) applied to such  
7 entry, and

8 (C) that is—

- 9 (i) unliquidated,  
10 (ii) under protest, or  
11 (iii) otherwise not final,

12 shall be liquidated or reliquidated as though such  
13 amendment applied to such entry.

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